No. 15-446

IN THE

Supreme Court of the United States

Supreme Court, U.S.
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CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY AS REGARDS THE FIRST QUESTION PRESENTED, WITH NO POSITION AS TO THE SECOND QUESTION PRESENTED

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I. STATEMENT OF INTEREST OF *AMICUS CURIAE*

The Association of the Bar of the City of New York ("Association"), through its Committee on Patents, submits this amicus curiae brief in response to the Court's January 15, 2016 Order granting Cuozzo Speed Technologies, LLC's ("Cuozzo" or "Petitioner")'s petition for certiorari and setting forth the questions presented above. The Association files this brief in accordance with Rule 37 of this Court, and supports the position of neither party. The parties to the appeal have consented to the filing of this amicus brief.[1]

The Association is a private, non-profit organization of more than 24,000 members who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal and international levels through its more than 150 standing and special committees. The Committee on Patents ("Patents Committee") is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private practice and academic experience in patent law. The participating members of the Committee are dedicated

1. No party's counsel authored this brief in whole or in part. No party or party's counsel or no person – other than the amicus curiae, its members, or its counsel – contributed money that was intended to fund the preparation or submission of this brief. Further, Petitioner consented by blanket consent to the filing of this amicus curiae brief and Respondent's written consent is being filed herewith.

to promoting the Association's objective of improving the administration of the patent laws.

II. SUMMARY OF ARGUMENT

The U.S. Patent and Trademark Office ("PTO") instituted *Inter Partes* Review (IPR) proceedings before the Patent Trial and Appeal Board ("PTAB") to adjudicate the validity of prior-issued U.S. patents in conformance with the provisions of the America Invents Act (AIA). Leahy-Smith America Invents Act, Pub. L. 112-29, § 6, 125 Stat. 284 (2011). Unlike existing procedures for adjudicating patent validity in federal district courts, which apply the plain and ordinary meaning to claim terms during claim construction, the PTO applies the broadest reasonable interpretation (BRI) approach for construing the claim language of a challenged patent. This use of different standards by federal district courts on the one hand, and the PTO on the other, has proved to be problematic and has resulted in documented cases of conflicting interpretations of the same patent claims, depending on whether these claims are before a federal court or before the PTO.

The AIA did not explicitly approve, or expressly direct, the application of the BRI standard for construing patent claims in post-grant proceedings. Accordingly, the PTO should not be granted *Chevron* deference to implement BRI in the IPR post-grant proceedings. In view of the differing standards for patent claim construction of an issued patent and the lack of evidence demonstrating the legislature's intent to implement different standards, the Court should find that the PTO and the federal courts should apply the same standard to construe and interpret

patent claims to give certainty to patent applicants and patent owners as well as the public on the limits of patent protection.

III. ARGUMENT

A. The Broadest Reasonable Interpretation Standard Causes Inconsistent Interpretation Of Patent Claims Depending On Whether The Claim Is Adjudicated By The PTO Or By The Federal District Courts

1. History And Purpose Of Broadest Reasonable Interpretation ("BRI") Standard at the PTO

The paramount issue in resolving patent disputes and defining patent rights is the determination of the scope of patent claims. Clarity in claim scope is of the utmost importance because the claims set forth all to which the patentee is entitled while apprising the public of what is still open to them. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730 (2002); *see also McClain v. Ortmayer*, 141 U.S. 419, 424 (1891); *see also SAP America v. Versata Development Group*, 107 U.S.P.Q.2d 1097, 1105 (P.T.A.B. 2013).

When patent applications are initially examined, the Examiners at the PTO afford the proposed claim language of a given patent application the "broadest reasonable interpretation" (hereinafter, "BRI"). This BRI standard is the PTO's approach for determining the scope and breadth of pending patent claims during patent prosecution (i.e., before patents have issued).

This standard ascribes to proposed patent claims "the broadest reasonable interpretation consistent with the specification," but does not utilize other intrinsic evidence, including the prosecution history, or other evidence extrinsic to the application. Manual of Patent Examining Procedure ("M.P.E.P.") § 2111. The PTO also uses BRI in most reissue, *ex parte*, and *inter partes* reexamination proceedings, and post-grant proceedings under the AIA, such as the IPR proceeding at issue here. By applying a BRI standard during IPR post-grant proceedings, the PTO treats previously granted patents in the same manner as pending applications. *In re Reuter*, 670 F.2d 1015, 1019 (C.C.P.A. 1981) (reissue proceedings); 37 C.F.R. § 42.100(b); Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012).

The BRI standard is appropriate in the patent prosecution context because it aids the definition of claim scope by casting a wide net in order to capture as much prior art as is necessary to determine whether to grant the patent. During patent prosecution, unlike in post-grant patent review, the claims of pending patent applications may be liberally amended by the applicant, and amendments may also be entered in conjunction with the applicant by the Examiner through an Examiner's amendment. 37 C.F.R. 1.121; Manual of Patent Examining Procedure (M.P.E.P.) § 714.

At this early stage of the patent application process, the PTO liberally allows amendments to claim language, even if that amendment were to have the effect of broadening a claim's scope. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 234 (1942). The PTO admits broad claim construction under BRI during the examination process

because a narrow claim interpretation (rather than BRI) may not capture prior art that would be implicated were the applicant to amend its claims through a broadening amendment. Throughout the patent prosecution process, the patent applicant enjoys a robust right to amend claim language "to reduce the possibility that, after the patent is granted, the claims may be interpreted as giving broader coverage than is justified." *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969).

The Federal Circuit has long agreed that the use of the BRI standard and the applicant's robust right to amend claims of a pending patent application go hand in hand. The court has reasoned that, because the applicant has the ability to make amendments to correct claim language or adjust the scope of claim protection as needed, the BRI approach serves both the public interest and the applicant's interest since applicants are not foreclosed from obtaining coverage for their invention with express claim language. *In re Yamamoto*, 740 F.2d 1569, 1572 (Fed. Cir. 1984). The PTO examiner and the applicant, in the give and take of the examination and amendment process, "work toward defining the meets and bounds of the invention to be patented." *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007) (citing *In re Zletz*, 893 F.2d 319, 321-22 (Fed. Cir. 1989)).

In comparison, during IPR post-grant proceedings before the Patent Trial and Appeal Board ("PTAB"), which occurs after a patent has been granted by the PTO, the patent holder has only a very limited opportunity to amend granted claims—specifically the AIA limits a post-grant patent holder to only a single opportunity to amend claim language during an IPR proceeding. 35 U.S.C. § 316(d)

(1); 37 C.F.R. § 42.121(a)(3). The AIA further specifies that a patent holder may only amend claim language with the permission of the PTO, and only after an exceptional showing that the amendment overcomes all prior art of record. *Id.* The AIA also bars a patent holder from filing an amendment to broaden a patent claim during an IPR post-grant proceeding. 35 U.S.C. § 316(d)(3).

2. The Alternative Standard Applied In U.S. District Court Litigation

In contrast to the BRI standard applied by the PTO during patent examination and post-grant proceedings under the AIA, the federal district courts apply a standard for claim construction that gives claim language its "ordinary and customary" meaning and construes the meaning of a claim term to be "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc). To determine the "ordinary and customary" meaning of a disputed claim term, federal courts begin with intrinsic evidence: the claims, specification, and prosecution history. *Id.* at 1313-14. Intrinsic evidence is critical because it "constitute[s] the public record of the patentee's claim, a record on which the public is entitled to rely." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). The specification "is the single best guide to the meaning of a disputed term." *Phillips*, 415 F.3d at 1315.

The "ordinary and customary" standard for construing claim language stems from a court's requirement to "assign a fixed, unambiguous, legally operative meaning to the claim." *Chimie v. PPG Indus., Inc.*, 402 F.3d

1371, 1377 (Fed. Cir. 2005) (citing *Liquid Dynamics Corp. v. Vaughan Co., Inc.*, 355 F.3d 1361, 1367 (Fed. Cir. 2004)). This requirement to define a fixed zone of patent protection must be made through the objective test of the claim language itself, the language of the supporting disclosure, the prosecution history, and the intrinsic evidence; not through the broadest reasonable interpretation. This Court has explicitly recognized "the role of claims in defining an invention and providing public notice," *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 33 (1997), and, to that end, federal district courts apply an objective claim construction standard that is, practically, more narrow than the BRI standard employed at the USPTO. Indeed, this Court has recently affirmed that "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention. *Nautilus, Inc. v. Biosig Instruments, Inc*, 134 S. Ct. 2120, 2124 (2014).

3. Instances Where The Two Different Standards Of Review Had Dramatically Different Results As To The Same Patent

Given the differing standards of claim construction—on the one hand, "BRI" used by the PTO during the patent examination and post-grant proceedings under the AIA and, on the other hand, the "ordinary and customary" meaning used by the federal district courts—the same patent claim may have two or more different meanings depending on the tribunal in which the claim is being reviewed.

In *Fresenius USA v. Baxter Int'l*, the Federal Circuit reviewed the same claims twice, once on appeal from the district court, and once on appeal from the PTO, each time with divergent outcomes. In the first instance, the claims were appealed from a district court where they were interpreted under the "ordinary and customary" meaning standard and, under this standard, the court on appeal affirmed the validity of the patent claims. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1302 (Fed. Cir. 2009). The court held that the claim language, "means for delivering the dialysate to a dialysate compartment of hemodialyzer," interpreted by its ordinary meaning, was not shown in the structure corresponding to the means-plus-function claims of the prior art. *Id.* at 1299. The Federal Circuit reviewed the lower court's claim construction *de novo* and found the disputed claims valid over all prior art of record. *Id.* at 1302. On remand, the district court then granted the patentee $9.305 million in patent infringement damages. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 2012 WL 761712, at * 16 (N.D. Cal. 2012).

In the second instance, the Federal Circuit again reviewed the same patent and identical claim language, only this time on appeal from a PTO reexamination procedure. The Federal Circuit again reviewed the claim language *de novo* and this time upheld the PTO's determination made under a BRI standard that the very same claims were unpatentable and invalid as obvious over the prior art. *In re Baxter*, 678 F.3d 1357, 1365-66 (Fed. Cir. 2012). The Federal Circuit affirmed the PTO Examiner's finding in reexamination, under the BRI standard, that the claim limitation "means for delivering the dialysate" was obvious and invalid in view of new prior art of record, prior art that was notably absent from the record when the

court reviewed the district court claim construction under the "ordinary and customary" standard. *Id.* at 1364. As a practical matter, the fact that certain prior art references were captured under the BRI standard (which were absent before the district court) is directly attributable to the broader claim construction standard employed by the PTO during the reexamination proceedings, in contrast to the narrower claim construction employed before federal district courts. *Compare In re Baxter*, 678 F.3d at 1366 (applying M.P.E.P. § 2111 Claim Interpretation; Broadest Reasonable Interpretation) *with Fresenius USA, Inc.*, 582 F.3d at 1302 (reviewing a district court's construction of disputed claim language under the "ordinary and customary meaning" standard).

Finally, after the Federal Circuit upheld the PTO's invalidation of Baxter's patent—the very same patent that the Federal Circuit had earlier upheld—an appeal from the district court's damages award reached the Federal Circuit, which then vacated the damages award. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013). Judge Newman dissented, stating in part:

> The loser in this tactical game of commercial advantage and expensive harassment is the innovator and the public, for it is now notorious that any invention of commercial value is ripe for not only protracted litigation but consecutive reexamination until the patent falls, or the patent or the patentee expires. The stability that is the foundation of the rule of law is lost, along with the patent-supported incentive to create and produce new things to public benefit

Id. at 1354 (Newman, J, dissenting).

Similarly, in *Versata Software, Inc. v. SAP America, Inc.*, the Federal Circuit and the PTO reviewed identical patent claims and, again, reached divergent results after applying different standards for claim construction. In *Versata Software*, the parties maintained competing claim interpretations for the claim term "pricing adjustment." *Versata Software, Inc. v. SAP America, Inc.*, 717 F.3d 1255, 1263 (Fed. Cir. 2013). In the first instance, the Federal Circuit affirmed the lower court's claim construction, which interpreted the "ordinary and customary" meaning of the term "pricing adjustment" to be "a denormalized number that may affect the determined price." *Id.* at 1263. The court then upheld the lower court's holding that the disputed patent claims, interpreted under the "ordinary and customary" meaning standard, were valid and infringed, meriting a large damages award. *Id.* at 1263-64.

In the second instance, the accused infringer initiated a petition for a Covered Business Method (CBM) post-grant review proceeding under the AIA to challenge the validity of the same claim language, only this time using the PTO's post-grant review proceedings before PTAB. The PTAB construed the same patent claims, including the term "pricing adjustment," under the BRI standard for claim construction to determine whether the claims were patent-eligible and otherwise valid over the prior art. *SAP America, Inc. v. Versata, Inc.*, 2014 WL 1252847, at * 6 (P.T.A.B. 2014). Under the BRI standard, the PTAB construed the same claim term "pricing adjustment" to mean "a price modification that is *not* limited to denormalized numbers." *Id.* (emphasis added). In view of this opposite claim construction, PTAB held that the disputed claims were more likely than not invalid and unpatentable in view of the prior art. *Id.* at

*15. Thus, the different claim construction standards used by PTAB ("broadest reasonable interpretation" or "BRI") and the federal district courts ("ordinary and customary meaning") led to opposite claim interpretations and, ultimately, divergent rulings.

Under these different standards of review, the claims of a single patent in litigation may be given one interpretation before the PTO and an entirely different interpretation in district court litigation and on appeal. Such divergent outcomes undermine the principle of uniformity in patent law and the foundation of validity of patent rights. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390-91 (1996) (citing *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Foundation*, 402 U.S. 313 (1971)). The differing standards also create inefficiencies in resolving patent disputes that are critical for technology development and commercial investment. *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 100-102 (1993). For example, a patent owner who files suit to prevent infringement in a district court—where claims are often interpreted during a *Markman* hearing, *see Markman*, 517 U.S. at 371—may, under the AIA, have that case stayed pending the result of the PTO's IPR post-grant proceeding. The interpretation and construction of the claim terms in the *Markman* hearing under the "ordinary and customary" meaning standard may be different from (or even—as in *Fresenius* and *Versata Software*—contradictory to) the construction of the same claims by the PTAB under its BRI standard.

Notably, in *Versata Software*, the district court's claim construction was issued four years prior to the Federal Circuit's decision affirming that construction and validating the patent, and then the PTO's claim

construction resulted in an opposite ruling a year later. Such protracted proceedings and seemingly haphazard results underscore the essential problem of using different standards of review in IPR proceedings before the PTAB versus post-grant appeal proceedings in federal court and, plainly, leads to an inefficient use of judicial resources. *See Versata Software, Inc. v. SAP America, Inc.*, Memorandum Opinion and Order, Case 2:07-cv-00153-CE, Doc. 203, filed 5/19/09 (E.D. Tex. 2009); 717 F.3d 1255, 1263 (Fed. Cir. 2013); and *SAP America, Inc. v. Versata, Inc.*, 2014 WL 1252847, at * 6 (P.T.A.B. 2014). Instead, uniformity in the standard of review for post-grant patent claims and the application of principles of estoppel and *stare decisis* as between multiple claim construction rulings by and between the various tribunals would support judicial efficiency. *See Markman*, 517 U.S. at 391. Conversely, the differing claim construction standards currently employed by the PTAB and federal district courts with respect to post-grant patent claims not only undermine the stated goal of uniformity in patent law, *Id.* but also the finality of judgments with respect to particular post-grant patent claims, *Cardinal Chem. Co.*, 508 U.S. at 100-102, as well as the Patent Act's statutory presumption that all patents granted by the PTO are valid as against potential infringers and the public. *In re Yamamoto*, 740 F.2d at 1570-72.

In order to prevent the confusion of divergent holdings and interpretations of the same claim language, the PTO during IPR proceedings and the district courts should use the same claim construction standard. As one commentator notes:

> [T]he use of two standards, one for the court and one for the PTAB, creates considerable inefficiency. If both tribunals used the same rule, the PTAB could dispense with claim construction in any case in which the district court had already interpreted claims. Conversely, construction by the technologically sophisticated experts at the PTAB would provide a wealth of information to district courts later considering the same or related claims.

Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for its Money: Challenging Patents at the PTAB*, 91 NOTRE DAME L. REV. 235, 269 (2015). The commentator also predicts that "[t]he incidence of these problems would [...] be minimized if the courts and PTAB used the same approach to claim construction, for they would then more often reach the same conclusion on validity." *Id.* at 283.

Regardless of which claim construction standard this Court deems should apply to the case at bar, this Court should take the opportunity to unify the standard for construing post-grant patent claims. Such a determination would result in greater uniformity and finality in patent law litigation, and also would eliminate a significant source of judicial and administrative inefficiency. *See, e.g., Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 839 (2015) (recognizing that "attorneys will no doubt bring cases construing the same claim to the attention of the trial judge; those prior cases will sometimes be binding because of issue preclusion ... and sometimes it will serve as persuasive authority").

B. Congress Did Not Implicitly Approve The Broadest Reasonable Interpretation Standard In Enacting The America Invents Act (AIA)

1. AIA Provisions

One goal of the AIA was to establish a streamlined surrogate tribunal within the PTO for determining patent validity that would conduct adjudicative proceedings in a court-like proceeding. H.R.Rep. No. 112–98, pt. 1, at 68, 2011 U.S.C.C.A.N. 67, 92. The AIA specifically provides for the Inter Partes Review post-grant proceeding, including the substantive provisions for reviewing an issued patent and the procedural adjudication of the patent in view of prior art. Leahy-Smith America Invents Act, Pub. L. 112-29, § 6, 125 Stat. 284 (2011); 35 U.S.C. §§ 311-319. However, there is no basis in either the statutory language of the AIA or the legislative history to support the PTO's promulgation of the BRI standard for IPR post-grant proceedings before the PTAB. As stated by Chief Judge Prost writing for the dissent below, the AIA is silent both in its statutory provisions and background on the standard of review for patent claims. *In re Cuozzo Speed Techs.*, 793 F.3d 1297, 1300 (Fed. Cir. 2015) (Prost, J., dissenting).

2. The PTO's Cited Authority Does Not Confer Authority For BRI

The PTO asserts that Congress has provided it with expanded rulemaking authority, including the power to rule that, in Inter Partes Review proceedings, "a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." Brief for Intervenor, *In re Cuozzo Speed*

Technologies, 2014 WL 2738339, at * 40 (Fed. Cir. 2014). However, the statutory provision of the AIA pertaining to the Conduct of *Inter Partes* Review that the PTO relies on as authority for the BRI standard, 35 U.S.C. § 316, does not convey substantive rulemaking authority to the PTO, nor does it impose the BRI standard of claim interpretation. 35 U.S.C § 316, *et seq.* including sections 316(a)(4) and 316(a)(9).

Instead, this section provides that the PTO may promulgate *procedural* regulations "establishing and governing" IPR and Post-Grant Review (PGR) and the relationship of these AIA post-grant proceedings to other proceedings or forms or review under the Patent Act. *Id.*; 35 U.S.C. § 326(a)(4). The statute does not authorize the PTO to promulgate *substantive* rules for construing claims of issued patents that directly affect the rights of individual patent holders. Rather, the AIA's statutory delegation of rulemaking authority to the PTO is confined to procedural rules, such as procedures used by the PTAB to decide whether to institute a review as well as procedures for discovery and motions. There is no statutory language that provides authority for substantive rule making pertaining to claim construction. *See, e.g.*, 35 U.S.C. §§ 314(a), 316(a)(5), (d)(2), (e), 324(a), 326(a)(5), (a)(9), (d), (e). Accordingly, this Court should recognize that the AIA does not delegate authority to the PTO for promulgating binding substantive rules, particularly with respect to the standard of construing patent claims in IPR post-grant proceedings.

3. The PTO's Limited Amendment Practice In IPR Post-Grant Proceedings Is Not Consistent With BRI's Use In General PTO Examination Proceedings

The PTO asserts that "the BRI standard serves the same important functions in the Inter Partes Review context that it does in other PTO proceedings, and for the same fundamental reasons: the statute contemplates the possibility of claim amendments to clarify the scope of the patent owner's exclusive rights." Brief for Intervenor, *In re Cuozzo Speed Technologies*, 2014 WL 2738339, at *43 (Fed. Cir. 2014).

However, contrary to this assertion, during IPR proceedings, the PTAB does not readily permit amendments because the Board reviewing these proceedings does not review prosecution issues such as new matter or the applicability of prior art to newly amended claims. 35 U.S.C. § 311(b), 37 C.F.R. § 42.121; *Ariosa Diagnostics v. Isis Innovation*, 2014 WL 4381564, at * 31-32 (P.T.A.B. 2014). In bringing a motion to amend claims, a patent owner, as the moving party, bears the burden to show entitlement to the relief requested. 37 C.F.R. § 42.20(c). To be granted the right to amend claim language during an IPR proceeding, the patent owner has a high burden to show a patentable distinction of each proposed substitute claim over the prior art. 37 C.F.R. § 42.20(c); *Idle Free Systems, Inc. v. Bergstrom, Inc.*, 2013 WL 5947697, at * 4 (P.T.A.B. 2013). Thus, the right to amend claims during a post-grant proceeding under the AIA is far more limited than the robust right to amend claim language enjoyed by a patent applicant during the examination process.

Under the AIA provisions, Congress did not give the patentee in post-issuance proceedings the same liberal right to amend its patent claims that the applicant has during examination and reexamination. 35 U.S.C. § 316(d). Rather, the patent owner is restricted to one—and only one—opportunity to file a motion to amend a patent, and only after conferring with PTAB to cancel each challenged claim or to propose "a reasonable number of substitute claims" for each challenged claim. 37 C.F.R. § 42.121(a)(3). The presumption (which may be rebutted by demonstration of need) is that only one substitute claim would be needed to replace each challenged claim. 37 C.F.R. 42.121(a)(3). Any additional motion to amend claims or present new claims is allowed only "upon the joint request of the third-party petitioner and the patent owner to materially advance the settlement of a proceeding." 35 U.S.C. §§ 316(d)(2), 326(d)(2). Notably, an amendment may never "enlarge the scope of the claims of the patent or introduce new matter." 35 U.S.C. § 316(d)(3).

A patent owner's right to amend is further curtailed by the expedited timeline mandated for post-grant AIA proceedings. Under the AIA provisions for IPR proceedings, the PTAB is required to issue a final decision "not later than 1 year" after the proceeding is instituted, with the possibility of a six-month extension for good cause. 35 U.S.C. § 316(a)(11). The PTO's Office Trial Practice Guide notes that this one year statutory period controls the schedule for an IPR proceeding, including the time for amendments. *Office Patent Trial Practice Guide*, 77 F.R. 48756-57 (August 14, 2012)). The PTO specifically provides that "for authorization to file a motion to amend sought later in the proceeding, a demonstration of good cause will be required.... [since] motions to amend filed

late in the proceeding may impair a petitioner's ability to mount a full response in time to meet the statutory deadline for the proceeding." *Office Patent Trial Practice Guide*, 77 Fed. Reg. at 48766 (August 14, 2012).

The PTO asserts that the BRI rule is "procedural" in that it prescribes a procedure for the PTAB to employ in applying the Patent Act to the claims and is "an examination expedient." *In re Cuozzo Speed Technologies, LLC*, 2014 WL 2738339, at * 45 (Fed. Cir. 2014) (Brief for Intervenor). However, this Court should find that the BRI standard is not a procedural rule but, rather, a substantive rule that affects the rights of patent holders by defining the construction of claim language which, in turn, defines the legal metes and bounds of post-grant patent claims. The rules of claim construction directly affect the rights of every patent owner as against both potential infringers and the public. *Markman*, 517 U.S. at 372; *Warner-Jenkinson Co.*, 520 U.S. at 33.

C. The PTO Does Not Have The Authority To Enact Regulations Setting Forth The Standard By Which Claims Will Be Construed In Post-Grant Proceedings

1. No Deference Should Be Given To The PTO For The BRI Rule Under The *Chevron* Doctrine

Section 2(b)(2)(A) of the Patent Act provides for PTO rulemaking and has been held to be the "broadest of the Office's rulemaking powers," powers which were limited to the promulgation of procedural rules. *Stevens v. Tamai*, 366 F.3d 1325, 1333 (Fed. Cir. 2004). The Federal Circuit

has held that this provision does "not vest the PTO with any general substantive rulemaking power." *Tafas v. Doll*, 559 F.3d 1345, 1352 (Fed. Cir. 2009). The Supreme Court has limited substantive rulemaking, as follows:

> In order for a regulation to have the "force and effect of law," it must have certain substantive characteristics and be the product of certain procedural requisites. The central distinction among agency regulations found in the [Administrative Procedure Act ("APA") is that between "substantive rules" on the one hand and "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice" on the other. A "substantive rule" is not defined in the APA, and other authoritative sources essentially offer definitions by negative inference...we noted a characteristic inherent in the concept of a "substantive rule." We described a substantive rule—or a "legislative-type rule," *id.*, at 236, 94 S.Ct., at 1074—as one "affecting individual rights and obligations." *Id.*, at 232, 94 S.Ct., at 1073. This characteristic is an important touchstone for distinguishing those rules that may be "binding" or have the "force of law." *Id.*, at 235, 236, 94 S.Ct., at 1074.

Chrysler Corp. v. Brown, 441 U.S. 281, 301-03 (1979) (quoting *Morton* v. *Ruiz*, 415 U.S. 199, 232-36 (1974)).

Congress has delegated only procedural rulemaking authority to the PTO. *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991). The Federal

Circuit has reaffirmed this delegation of procedural authority and has held that *Chevron* deference shall be accorded to the PTO for rulemaking for interpretations of provisions of the Patent Act that relate to procedural matters. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-51 (Fed. Cir. 1996); *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 863 (1984). However, when the PTO's rulemaking is inconsistent with specific provisions and protections of the Patent Act, the rules are invalid as exceeding the PTO's rulemaking authority. *Tafas*, 559 F.3d at 1349; *Merck*, 80 F.3d at 1543.

For example, in *Tafas v. Doll*, the Federal Circuit held that a rule promulgated by the PTO to limit an applicant's use of continuation patent applications was in conflict with a substantive provision of the Patent Act, 35 U.S.C. § 120, which unambiguously directed that continuation applications could not be so limited. *Id.* On this basis, the Federal Circuit struck down the PTO's rule in that case, and found that the PTO had exceeded its authority and was not entitled to *Chevron* deference for substantive rulemaking. *Tafas*, 559 F.3d at 1360.

Similarly, here, the PTO both promulgated and implemented a standard of claim construction during IPR proceedings before the PTAB that directly affects the substantive rights of a particular patent holder by dictating the scope of post-grant patent claims as against both alleged infringers and the public. *Warner-Jenkinson Co., Inc.*, 520 U.S. at 33. Given the absence of the traditionally robust right to amend claim language where a BRI standard applies to claim construction, this Court should find that the PTAB's continued use of the BRI standard during IPR proceedings is in conflict with

a specific and substantive provision of the Patent Act—namely, 35 U.S.C. § 282, which codifies the statutory presumption that all post-grant patent claims are valid, a presumption overcome only by "clear and convincing evidence." *Microsoft v. i4i*, 131 S. Ct. 2238, 2242 (2011).

The use of a BRI standard in IPR proceedings affords no presumption of validity and, therefore, contradicts 35 U.S.C. § 282. Indeed, the PTO has openly acknowledged that its standard of review in IPR proceedings disregards the presumption of a patent's validity. *See Google, Inc. v. Whitserve LLC*, 2014 WL 4537504, at * 12 (P.T.A.B. 2012); IPR2013-00249, Paper 32, September 9, 2014, p. 22 (claim construction standard of BRI "does not take factors such as the preservation of validity into account"). Moreover, the PTO admits that its BRI standard may lead to inconsistent results for the same patent claim if adjudicated in federal court: "[U]nder the district court standard, however, considerations such as preservation of validity or the notice function of claims may lead to the adoption of the narrower of two equally plausible constructions." *Id.* (citing *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004); *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996)).

Thus, the PTO's application of the BRI claim construction standard in IPR post-grant proceedings is in conflict with a substantive provision of the Patent Act—namely, 35 U.S.C. § 282—and constitutes improper substantive rulemaking that is beyond the PTO's rulemaking authority.

2. The BRI Standard Is A Substantive Rule With Substantive Effect And The PTO Should Not Be Granted *Chevron* Deference To Implement This Rule In Inter Partes Review

The Board's conclusion that the BRI rule was promulgated within the PTO's rulemaking authority under the AIA is not entitled to deference under the *Chevron* doctrine. *See Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990). The PTO's implementation of Inter Partes Review applies a claim construction standard that bears directly on a patentee's right to a patent. As demonstrated above, the BRI rule affects a patent holder's rights and expectations of patent validity and is, therefore, a substantive rule that exceeds the PTO's limited rulemaking authority. If Congress intended to give the PTO substantive rulemaking authority, it would be clearly and definitively delineated. This Court should set aside the Board's action under the Administrative Procedure Act as "not in accordance with law" or "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right." 5 U.S.C. § 706 (2)(A)&(C).

CONCLUSION

For the reasons set forth above, the Court should find that, in an IPR proceeding, the PTO may not construe claims in an issued patent according to their broadest reasonable interpretation while the district courts construe claim terms according to their plain and ordinary meaning. The Court should find that the PTO, in an IPR post-grant proceeding, and the federal courts must use the same standard to construe and interpret patent claims to give certainty to patent applicants as well as the public on the limits of patent protection.

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